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NEWS BRIEFS

Congress approves TJTC extension

WASHINGTON — The House and Senate have approved a six-month extension of the Targeted Jobs Tax Credit, a tax break widely used by restaurateurs.

Set to expire on Dec. 31, the TJTC allows restaurateurs and other employers to write off 40 percent of the first $6,000 they pay veterans, welfare recipients, disadvantaged youths or other persons deemed by the law as being difficult to employ.

The credit is used more commonly in the restaurant industry than it is in any other trade.

Also extended for half a year was the deductibility of insurance costs for self-employed individuals.

Vicorp names Caruso president of Village Inn

DENVER — Vicorp Restaurants Inc., operator of more than 400 family restaurants, has named James Caruso president of its Village Inn division.

Caruso, 37, had been serving for the past year as Village Inn's executive vice president of company operations. The prexy post at Village Inn had been vacant for 16 months.

Up until Caruso's appointment, Robert Benson, president of Vicorp Restaurants, had overseen the day-to-day responsibilities of the 230-unit Village Inn division. Vicorp also operates about 180 Baker's Squares.

Congress exempts meat-topped pizzas from USDA rule

WASHINGTON — Congress has granted a USDA exemption that allows pizzas served with pre-cooked meat toppings to be served as part of the National School Lunch Program.

Effective Aug. 1, such pizzas are exempt from on-site USDA inspection rules limiting meat content to 2 percent providing that the products already have met USDA guidelines at the facility where they were initially prepared.

Previously, public schools buying meat-topped pizzas from such outside vendors as Pizza Hut were restricted to using products with minimum meat content. Prior rules established pizzas topped with more than 2-percent meat content as a meat product and therefore subject to a second USDA inspection.

KFC to buy 28 units from franchisee

LOUISVILLE, Ky. — Kentucky Fried Chicken has agreed to purchase 28 KFC restaurants from McFarland Foods Corp., an Indianapolis-based franchisee.

Twenty of the KFC units are located in the metropolitan Indianapolis area, and the other eight restaurants are located in the Indiana towns of Beech Grove, Brazil, Fortville, Muncie, Noblesville and Speedway.

H. Richard McFarland, a KFC franchisee since 1975, is selling the 28 units but is remaining a franchisee with four restaurants in Kentucky and a partnership interest in two Indiana units.

Portland landmark changes its name

PORTLAND, Ore. — Genoa, the critically acclaimed Italian restaurant known for its innovative management style as well as its signature seven-course meals, is changing ownership.

Amelia and Fred Hard, owners for the past 10 years, said they are selling the small dinner-only restaurant to four senior employees: Kerry DeBuse, Joan Husman, David Burns and Catherine Whims. The Hards' departure marks the fourth change of ownership in the restaurant's 20-year history.

Founded by Michael Vidor in 1971, Genoa has long been a favorite among Portland's fine-dining enthusiasts. Unlike most restaurants, Genoa has no executive chef. The duties normally assumed by a chef, including menu planning and purchasing, are rotated among senior kitchen staffers.

McD found guilty of negligence over playland mishap

BAKERSFIELD, Calif. — A jury in the Superior Court of California has found McDonald's guilty of gross negligence and breach of public trust in a lawsuit stemming from the use of defective playground equipment that broke a 6-year-old girl's leg in two places in 1988.

As a result of the verdict, McDonald's faces the prospect of paying Marlene Escalera, now 8, more than $10 million in damages, which have yet to be determined.

Escalera was playing on a Tug-N-Turn merry-go-round at a McDonald's unit in Delano, Calif., when her shoelace caught on a loose bolt, tearing her tennis shoe and fracturing her leg.

McDonald's could not be reached for comment on the ruling.

Denny's develops downsized unit for small markets

SPARTANBURG, S.C. — Denny's, the family restaurant chain headquartered here, said it has developed a scaled-down unit that will allow the 1,375-unit operation to expand into less-populated areas.

The downsized Denny's model measures out at 2,700-square feet and seats about 80 customers. In comparison, a standard Denny's restaurant ranges between 4,600-6,700 square feet with a seating capacity of 150 to 185. The smaller version, however, will offer the same menu as its larger counterpart.

According to Denny's parent TW Services Inc., construction on the first downscale Denny's is scheduled to begin this month in Landrum, S.C.

Foodmaker Inc. goes public again

SAN DIEGO — Foodmaker Inc., the parent company of Jack in the Box and Chi-Chi's, has registered with the Securities and Exchange Commission an initial public offering of about $200 million of common stock for a proposed recapitalization plan that also will include a public debt offering.

Net proceeds from the offering will primarily be used to purchase a portion of the company's existing debt.

The company has moved between the public and private realms often in recent years as officials try to eliminate debt.

Shoney's opens two Chicago units in converted Wag's

CHICAGO — The first two Shoney's restaurants to open in converted Wag's, formerly owned by Marriott Corp., have opened in the suburbs of Hoffman Estates and Lansing, Ill.

"They look like new Shoney's instead of remodeled Wag's," said Robert Blessing, chief executive officer of Lunan Corp., a Shoney's franchisee which bought 29 Wag's from Marriott last year. He expects the remaining Wag's to be converted to Shoney's within the next 1½ years.

Dial completes restructuring, sells divisions

PHOENIX, Ariz. — Dial Corp., the parent company of Dobbs International Services, Dobbs Houses and Restaura Dining Services, said its board approved a previously announced restructuring plan to spin off the company's commercial lending and mortgage insurance businesses to its stockholders.

The restructuring, which does not involve the contract services businesses, "will enable Dial to focus on its core businesses, consumer products and services," said John W. Teets, Dial's chairman, president and chief executive.

Under the approved plan, a new company, called GFC Financial Corp., will be created from Dial's Greyhound Financial Corp., Greyhound European Financial Group and Verex Corp.

Food court mishap injures 12 at N.J. mall

PARAMUS, N.J. — Twelve Christmas shoppers hungering for a meal at this city's Garden State Plaza Mall were injured when a large plastic food court sign fell and hit nearby diners.

The 12 customers were examined and released without serious injury from the Nov. 30 incident, in which a pizza restaurant sign apparently became detached and fell.

The case is under investigation by local police.

FINANCIAL NEWS

CNL to trade properties for Golden Corral stock

by Robin Lee Allen

RALEIGH, N.C. — CNL Group, a diversified real-estate company, has proposed swapping some of its restaurant properties for 16 percent to 20 percent of the outstanding shares of Golden Corral Realty, a landlord of Golden Corral steak houses.

Both Golden Corral Realty, a real-estate investment trust, and Golden Corral Corp., operator of the 440-unit family steakhouse chain, are owned by Raleigh, N.C.-based Investors Management Corp. Golden Corral Realty owns the real estate beneath conventional Golden Corral units, which lease the land.

In government securities filings, Investors Management indicated it was concentrating on development of its new Golden Corral Metro Market concept rather than on the traditional Golden Corral units that occupy plots like those owned by Golden Corral Realty. The shift in strategy leaves the trust with limited growth opportunities.

CNL's proposed equity investment would help Golden Corral Realty grow by converting it from a finite-life REIT to a perpetual-life REIT, said Edward Clark, the REIT's president.

As a finite-life REIT, the company is obligated to liquidate its holdings when they mature, or come to the end of their leases, Clark said. The company has 28 properties and is required to pay out 95 percent of its taxable income to stockholders each year.

"Under our present setup, if we sell the property in the first 10 years, we may reinvest in other restaurant properties," he said. "After that we must distribute funds to stockholders, which reduces the company size, so ultimately you have no company. The decision was made to change that and become a perpetual-life REIT, and to do that, you have to acquire more properties."

Golden Corral Realty

Business: Real estate investment trust (REIT) that owns and leases land beneath Golden Corral steak houses.
Holdings: 28 properties.
Headquarters: Raleigh, N.C.
Parent company: Investors Management Corp.
Leadership: Edward Clark, president.

"The proposal by CNL calls for investment by CNL of restaurant properties subject to long-term, high-quality, triple-net leases in return for common stock of Golden Corral Realty," Clark added.

Orlando, FLa.-based CNL owns and operates units of Burger King, Denny's, Golden Corral, KFC, Pizza Hut, Shoney's, Taco Bell and Wendy's.

The $10-per-share price tag is based on the estimated income from CNL's properties, Clark said. He would not disclose how many or which concepts were involved in the swap, but noted that Golden Corral Realty would be adding different restaurant types to its portfolio.

Also under negotiation is the transfer of Golden Corral Realty's management to a CNL affiliate. The company is currently managed by another fee-paid advisory company, he said. "CNL will assume management of the company and will also have a stake in the company."

CNL officials would not comment on the potential deal, noting that it is still subject to approval by involved parties.

In July, Golden Corral Realty began to explore future business strategies, including the sale of the company, according to documents filed with the Securities and Exchange Commission. That action was prompted largely by Golden Corral Corp.'s decision to focus its attention on the development of its new and larger Metro Market units.

CNL's proposal was one of many received from a solicitation made through the company's financial adviser, Alex. Brown & Sons.

Timing for the change was optimal because Golden Corral Realty is currently in the middle of its 15-year leases with Golden Corral Corp., Clark said.

"In our Golden Corral leases the initial terms were 15 years, and we have nine years remaining," he explained. "Golden Corral has three five-year renewal options, but we thought this was the appropriate time to make the decision rather than wait until we got to the end of our leases.

"The acquiring property will be in a better position to renew leases or dispose of the properties. Our hope is that whoever aquires it will have grown it considerably, whereas if we don't grow it, we'll have a big problem."

An affiliation with CNL will give Golden Corral Realty an active management group, Clark remarked. "They have people in real estate buying, managing and selling constantly."

The proposed deal is contingent on many conditions and the approval of Golden Corral Realty's board of directors and stockholders. Clark anticipates that stockholders will be asked to approve a new company name because the intended future company will include restaurants other than Golden Corrals.

FOOD PRICE OUTLOOK

Coffee outlook uncertain for next year

by Patt Patterson

Green coffee prices at the New York docks have stayed low for many months, but that could change next year. There are two factors that might push up coffee prices. One is the hot, dry weather gripping Brazilian coffee regions, which may damage the crop. The other is another try for exporting quotas that the International Coffee Organization is going to make this month. If one or both of those factors fully develop, the result will mean much higher prices for green beans and therefore for roasted coffee.

Frozen concentrated orange juice prices may move up again. The question is whether Florida will be hit by freezing weather in the coming weeks. As it stands, the quality of the current crop looks good even if volume isn't up to the level forecast earlier this year. The shortfall means producers have to buy more Brazilian juice. The Brazilians raised prices the early part of November, and further increases are possible, some observers say.

Canned cling peaches are moving up in price on short inventories. Some producers expect to run out of product well before the new season starts next year. Distributors have been scurrying to lay in adequate supplies for their regular customers. **Fruit cocktail** and **mixed fruits** are also in tight supply. And **apricots** may be placed on allocation. **Pears** are also short. Expect further price increases as pressure on stocks increases.

Iceberg lettuce prices moderated in late November. Strong production from the San Joaquin Valley, combined with unexpectedly good production from western Arizona, has brought shipping point prices down. The poinsettia whitefly that has infested Arizona and California desert growing areas apparently is not carrying the infectious yellows virus, and thus far that has minimized damage to the lettuce crop there.

Leaf lettuce prices remain at the year's low, mostly because of large-scale expansion of fields, particularly in the Salinas Valley of California.

FACT FILE

Food purchases in largest jail jurisdictions (1989)

Jurisdiction	Average population	% vs. '87	Estimated food purchases ($MM)
L.A. County, Calif.	22,426	31.0%	$20.2
New York City, N.Y.	16,500	52.9	14.9
Harris County, Texas	8,206	82.4	7.4
Cook County, Ill.	7,000	23.8	6.3
Dallas County, Texas	5,800	100.9	5.2
Dade County, Fla.	4,773	36.7	4.3

Source: Institutional Foodservice Food Institute Report

FINANCIAL DIGEST

Interest costs pound Steak n Shake parent

INDIANAPOLIS — Increased interest expenses and year-long couponing contributed to a 34-percent decline in Consolidated Products net income, to $3.2 million, on a 10-percent gain in revenues, to $117.1 million, for the year ended Sept. 25.

The company's income before taxes and interest was $10.9 million, up 7 percent. Interest expenses soared to $5.5 million, from $2 million last fiscal year, because of the company's recapitalization plan in the first quarter.

Adding to the pressure on income was advertising costs associated with a television campaign and year-long newspaper value coupon inserts.

For the three months of the fourth quarter, the parent company of the Steak n Shake chain said net income fell 31 percent, to $912,517, on a 6-percent increase in revenues, to $28.1 million.

Checkers' IPO ups Rally's share price

NEW YORK — The completion of Checkers Drive-In Restaurant Inc.'s initial public offering not only raised capital for the company but also enhanced the share value of arch-rival Rally's, at least for a day.

Checker's hit the market Nov. 15 with more than 2.1 million shares at $16 a share, or $4 more than what the company had expected when it filed its Securities and Exchange Commission documents in September. Before the day was out, Checkers' issues were trading at $24 a share.

Rally's share price jumped 4 percent during the day to close at $14.25 in heavy buying.

Some analysts suspect that Rally's shares surged from the spillover effect of Checkers' issues.

Michael Mueller, an analyst with Montgomery Securities in San Francisco, said it is common for issues in the same segment to surge when a competitor makes a new equity offer.

But since Rally's and Checkers are the industry's only publicly traded double-drive-thru burger contenders, Rally's was bound to inflate, Mueller suggested.

Uno Corp.'s annual revenues soar

BOSTON — Despite a 30-percent rise in revenues, Uno Corp. posted a 17-percent decline in net income, to $3.2 million, for the year ended Sept. 29.

The company, operator of the Pizzeria Uno pizza chain, noted that income was pared by a $135,000 write-off for an express unit that closed in New York.

During the final quarter of the year, Uno's net income fell 14 percent, to $1 million, on a 28-percent revenue rise, to $20.1 million.

Same-store sales during the quarter fell 2.2 percent.

However, the company's revenues rose by the sharpest increase in nearly two years, jumping by almost one-third, to $71.3 million. Uno said sales grew despite the continuing economic difficulties in its Northeastern markets.

Aaron Spencer, chairman and chief executive, said he expected that corporate actions to improve the company's profitability would pay off by early 1992.

Wendy's shareholders react to news delay

DUBLIN, Ohio — Wendy's said heavy selling of its stock and a 38-cent drop in its share price were linked to financial news services that delayed reporting by one week a company announcement that chairman Dave Thomas was selling 590,000 shares.

As a result of the delayed reporting, investors mistakenly thought that Thomas was tendering a *second* block of stocks, prompting them to unload their issues and resulting in more than 800,900 shares changing hands in one day. Normally, Wendy's average daily trading volume is 352,000 shares.

In early November Wendy's announced that Thomas had sold part of his stake in the company for $5 million. But several news agencies did not pick up on the news until Nov. 15, a full week after Wendy's filed with the Securities and Exchange Commission. Wendy's share price closed on Nov. 15 at $8.50, a 3-percent drop.

SEGMENT STUDY: FAST FOOD

SCENES FROM THE MALLS

(Continued from page 25)

more financial security — both from a credit standpoint and more solid sales due to the impact of national advertising.

Foodservice operators pay malls a percentage of sales for rent, so obviously, developers are looking for the highest sales producers possible.

"If an independent is in there, the mall owner will wait until the lease is up and then go with major chain," Paul says.

Yet Carlson maintains that a mix of both national chains and independents are needed to provide variety. "There's room for both indies and chains," Carlson remarks. "A center that hitches its wagon to one star won't survive as well."

Many large chains such as McDonald's and KFCs have long avoided mall development. One reason may be lack of control over such things as common eating areas, seasonality of traffic, and restricted operating hours.

Also, many chains do not like having to report monthly sales figures to the owner, and are wary of physical space limitations. In addition, developing prototypes to fit the allotted food court and in-line pads is not an easy task.

Chick-fil-A, a chain that has grown through mall locations since 1967, has seen times change in mall food service.

"It used to be three or four in-line food operations in the old days," Perry observes. "Now we are one of many major fast-food operations."

A good percentage of the company's operations are in-line, which Chick-fil-A prefers over food courts because it has more control over operations. Yet many malls are adding food courts, and the company realizes they have to be in there to compete.

"Our challenge is to stay visible," Perry explains. "The reality is, if you are in a mall, you have to be in a food court."

Perry notes that the company is looking forward to the holiday season, when sales usually go way up. To lure patrons, Chick-fil-A is readying its holiday meal combination, a chicken sandwich, fries and a soda set at a low price point.

He says that when the big names start entering malls, it can be a traffic builder, yet "if independents don't have their act together, they can forget it."

The threat of discount malls could hurt some for the established retailers as value and price become the name of the game in retail as well as in foodservice.

Everything Yogurt, a Staten Island, N.Y.-based chain that boasts locations at 130 different shopping centers, opened up a unit in the Sawgrass Mills outlet one year ago in Sunrise, Fla. "We are in several discount malls and do relatively well," says Everything Yogurt president Stephen Beninati. "But we don't see the same volumes at those centers because there is more competition in the number of stores in the food courts."

Beninati explains that to increase sales, the company has unveiled a new prototype called Everything Yogurt and Salad Cafes, featuring an array of salads. "We have seen sales increases in our brand new stores from 25 to 100 percent," says Beninati, who is enthusiastic about the concept and will begin converting stores soon.

Young chains offer mall diversity

Meanwhile, a new crop of young, diverse chains and independents are springing up at the nations' malls, offering everything from vegetable sandwiches to hot dogs on a stick — and many are finding the mall route to be an easy way to start a business.

Tortola, a four-unit Mexican concept based in San Francisco, found that competing head on with Taco Bell in Sacramento's Arden Fair Mall didn't hurt it at all. "We realize we are in different markets, and people who eat at Taco Bell don't eat here," says Steve Scarpulla, Tortola president. With a $4 average check, the chain is positioned far above the value pricing at Taco Bell.

"What's happened is that Taco Bell — from size alone — has educated the entire country on Mexican food and has opened up different segments of the market," explains Scarpulla, who took his family dinner-house concept and steered it toward a new direction, malls.

The concept, which brings in $750,000 in annual unit sales at its mall locations, will begin offering guest check payment services by automatic teller machine ATM cards beginning in January.

Young chains use mall locations as a way to get off the ground, because foot traffic and low start-up costs make it attractive. "If one fails, they come up with a new idea," Paul points out. Some malls even help with financing.

With approximately 13 percent of food courts vacant, mall operators are more than willing to give someone just starting out a chance. New Jersey-based Sommers Consultants Inc. has developed its own program to work with developers, marrying concepts with mall locations. The firm currently represents four fast-food mall-oriented chains, Roli Boli, Stuff'n Turkey, My Favorite Muffin and New England Seafood.

"Mall developers are willing to work with us to help find franchisees," observes marketing coordinator Stacey Sommers. "In some cases the mall developer will even help finance part of the franchised stores."

Sommers notes that from a franchising perspective there is more interest in business start-ups than ever before, as the recession makes people look outside of traditional jobs for money.

Roli Boli, a chain featuring a rolled, closed stromboli-type sandwich made with French bread dough and filled with a variety of stuffings, has 11 stores open and is targeting another 10 to 20 mall operations in 1992. Sommers says the concept does a lot of sampling to give consumers a taste of the unfamiliar product.

Stuff'n Turkey, one of the growing number of chains offering turkey, is flying high on the surge in consumption by health-conscious consumers. The 21-unit Owings Mills, Md.-based concept encompasses 600 square feet and rings up more than $500,000 in sales — with an average check of $5.50 — and plans to double its size next year.

Selections include overstuffed turkey breast sandwiches, roasted turkey breast, smoked turkey, Oriental turkey salad, turkey with pasta, turkey pot pies and barbecued turkey along with specially baked breads and side dishes like macaroni and cheese and homemade stuffing.

"There is a need for healthful alternatives in food courts," Sommers notes. "Anchors are not bringing in the business right now, so developers are looking for variety in their food courts."

Even though the recession has hit malls heavily and many anchors are in bad financial shape, mall food court operators continue to thrive. "People are not visiting malls as much as they used to , but they are still coming on a regular basis," comments Ken Smith, chairman and co-founder of the Steak Escape, a mall-based operation with 80 stores in 28 states and in Japan.

"Our upfront exhibition-style cooking is a departure from the "magic window" syndrome at other fast-food places," Smith explains, "where you don't know who made it or what it is made out of."

Steak Escape showcases its vegetables and meats in glass refrigerated cases so customers can see fresh vegetables, cheese and meat for themselves. In addition to a variety of cheese steaks, the chain serves ham and turkey and vegetarian sandwiches made on freshly baked buns as well as sizzling salads, salads topped with grilled meats.

"Basically you are paying premium rent for guaranteed traffic," says Smith, adding that mall tenants pay a base rent and then 10 percent over every dollar after a certain breakpoint in sales — say $300,000. "The upside is that if you don't have that much equity, you can still be exposed to a community of 30,000 people or more."

Steak Escape has a mall employee discount program that offers workers discounts from 10 percent to 20 percent and uses sampling to get the word out. "Since we began in 1982, I haven't seen a decline in steak subs," Smith points out. "Steak and potatoes are an American staple; they're just done in a unique way."

Even though sandwiches are tough competition, Smith is looking to open a sister concept that would serve Philly cheee-steak sandwiches plus a line of cold and specialty subs.

Tom Hester, president and chief executive officer of Rocky Rococo pizza, based in Madison, Wis., says the company is targeting malls for future growth. The chain has two mall locations that serve pizza by the slice, and it is finding stronger sales there than in its its free-standing or strip center locations.

"It makes things easier to manage. No tables to bus mean less labor and management," Hester explains. "The waste is lower, and traffic is higher."

When the company pulled out of the St. Louis market a couple of years ago, it left its mall unit intact and was surprised at the results. "We couldn't penetrate the market, but sales at the food court remained stable," Hester notes. "It just goes to show you name recognition in the market is not as important as having a good product."

He added that the entry of the big chains would make competition tougher for everyone. "When you bring in McDonald's, you can't help wondering what's going to happen to the little guy."

Food tenant sales, 1991 vs. 1990

	1991 sales per square ft.	1990 sales/ per square ft.	'90 vs. '91 sales per per square ft.
Oriental	$571.25	$428.38	33.4%
Mexican	518.31	435.57	19.0
Hamburger	483.09	453.58	6.5
Yogurt	432.15	412.59	4.7
Seafood	413.40	384.03	7.6
Pastry/Croissant	406.31	360.05	12.8
Greek	403.28	381.20	5.8
Cookies	397.33	431.61	– 7.9
Pizza	395.66	430.20	– 8.0
Sandwiches	393.47	372.64	5.6
Chicken	365.57	473.05	–22.7
Potatoes	357.88	421.47	–15.1
Others	352.54	264.62	33.2
Hotdogs	321.45	445.10	–27.8
Barbecue	320.17	399.69	–19.9
Ice Cream	309.95	382.26	–18.9

Source: Carlson Report

Ethnic fare spices food court sales

Mirroring food trends across the country, a variety of ethnic foods are bringing new tastes from around the world to the nation's food courts.

According to the 1991 Carlson report food court survey, Oriental food has replaced chicken as the top grosser in sales per square foot, followed closely by sales at Mexican-themed food court operations.

Chicken dropped to No. 11, though it still commands the most sales per year at an average of just over $500,000 per annum in sales. The three food court players that posted double-digit-per-square-foot sales increases over the prior-year results were Oriental, Mexican and Greek, with the biggest losers being chicken, hot dogs, barbecue and ice cream.

"Most of us are becoming comfortable with foods of different ethnic origins," says Harold J. Carlson, president of Harold J. Carlson Associates, a consulting firm that specializes in shopping centers. "Mall food courts are now catering to a gamut of tastes, including Chinese, Mexican and Italian."

Carlson says even the traditional soup and sandwich is getting jazzier. "Customers are becoming more ambitious in their selections," he explains. "And operators are responding by offering new things — like a wild rice soup or a more outrageous type of sandwich."

Sandwiches still make up the largest category for mall food courts, taking up 12 percent of food court tenants, according to the report, yet the category captured less than six cents on the food court dollar. Chicken takes up 11 cents of every food court dollar, followed by pizza (9.97 cents), Mexican (8.19 cents) and hamburgers (8.16 cents).

Carlson says that mall employees, many of whom eat their meals in malls, also demand ethnic variety, and if they don't get it, they will go elsewhere for their afternoon or evening meals. — *Peter O. Keegan*

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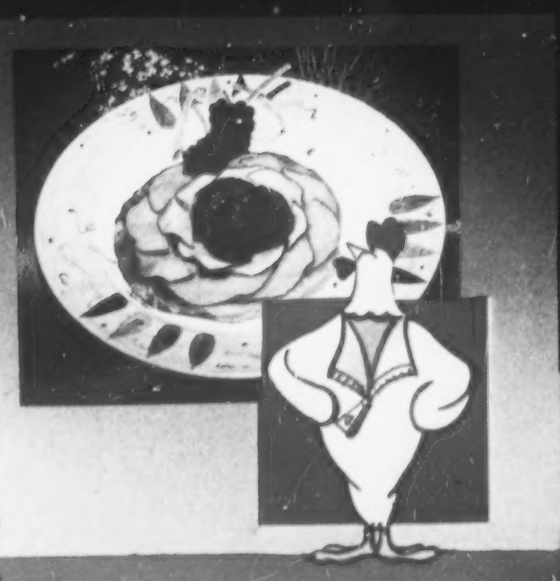
A YEAR IN REVIEW



The NRN staff takes a look back at the ups and downs of 1991

1991 Retrospective begins on page 33